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TAGS: [ETRD](#) [ETTC](#) [EINV](#) [KSTC](#) [SW](#)  
SUBJECT: EXPORT CONTROL BILATS BETWEEN SWEDEN AND DOC  
ASSISTANTSECRETARY CHRISTOPHER PADILLA

Classified by Keith Curtis for Reasons 1.4 (d)  
and (e).

¶1. (C) Summary: On December 7, Assistant Secretary of Commerce for Export Administration Christopher Padilla met with a Swedish interagency group to discuss a variety of export control and strategic trade issues. The two sides addressed the U.S. Government's proposed China licensing policy rule, a proposal to establish a working-level group to discuss controls regarding night vision technology, concerns over illicit diversion through the United Arab Emirates, and implementation of United Nations Security Council Resolution 1718. End Summary.

#### Export Controls and China

¶2. (C) Padilla began by noting that, in December 2003, the 33 members of the Wassenaar Arrangement agreed upon a statement of Understanding (SOU) that requires member countries to take appropriate measures to ensure that a government authorization is required for exports of non-listed, dual-use items for military end uses in destinations that are subject to a binding United Nations Security Council (UNSC) arms embargo or any relevant regional or national arms embargo. The USG is drafting two regulations to implement this SOU: one for countries subject to arms embargoes, and one specifically for China. In both regulations, the DOC will require a license for otherwise uncontrolled goods and technologies when the exporter knows that the export has a military end-use.

¶3. (C) The first regulation will implement a military end-use control to countries against which the U.S. maintains arms embargoes. These countries include Afghanistan, Belarus, Myanmar, Cote D'Ivoire, Cuba, Haiti, Iran, Liberia, Libya, North Korea, Somalia, Syria, Vietnam, and Zimbabwe. Padilla noted that this regulation will apply to all items listed on the Commerce Control List, and that the Regulation will be published in interim final form later in 2006. The USG reported on this regulation at the meeting of the Wassenaar Arrangement in December 2006.

¶4. (C) The second Regulation would be focused only towards China. Padilla explained that the Commerce Department decided to implement a separate regulation towards China to better address the unique U.S.-China bilateral economic and political relationship. It has been longstanding U.S. policy to encourage legitimate civilian high technology trade with China while restricting exports that could contribute to the country's military modernization. The proposed China Rule both addresses U.S. commitments under the 2003 Wassenaar Arrangement SOU and further clarifies this long-standing U.S. policy. Importantly, the proposed rule does not impose a broad military "catch all" on exports to China. Rather, it is a "catch some" that will impose new licensing requirements on 47 specific items and technologies that could be incorporated into Chinese weapons systems.

Padilla urged the GOS to work with the USG to ensure that the Chinese Military could not obtain such systems from other Wassenaar countries, as it is the USG's view that the export of these technologies and their incorporation into weapons systems undermines the EU arms embargo. He urged the GOS to implement similar controls as part of its Wassenaar Arrangement commitments. He noted that he had traveled to Paris and Berlin and would be traveling to London, to urge other EU governments to implement similar controls.

15. (SBU) Padilla then explained that the China regulation would also include a new authorization for validated end users (VEU), or trusted customers. This authorization would allow the export of certain controlled items to specified, pre-vetted end-users, without a license. The trusted customer concept could greatly facilitate civilian commercial trade with PRC end-users that have an established record of engaging only in civil end-use activities. The DOC and other relevant agencies will evaluate prospective validated end-users on a range of factors, including history of compliance with U.S. export controls and agreement to periodic visits by USG officials.

16. (SBU) Commerce hopes to include a list of initial candidates that could be eligible for VEU status when the regulation is published in early 2007. The VEU concept has the potential to take out of the licensing system several hundred routine licenses to China worth hundreds of millions of dollars. If successful, this program could be expanded to other countries.

17. (C) Richard Ekwall, Director of Export Controls, the Ministry of Foreign Affairs, replied that Sweden had helped push the WA SOU in 2003 and has a catch-all policy in place. Sweden has an embargo on China, and treats dual-use items destined for military end use as a military item. Swedish exporters must come forward to the government and ask whether they can make an export to a military end user before a license is formally submitted. The Swedish Inspectorate of Strategic Products then takes a formal decision on whether the export

should be controlled and will notify the exporters. Swedish exporters generally do not request licenses for exports to the Chinese military because they know that they will be denied.

18. (C) Padilla noted that his appeared to be an informal approach, and not a list-based procedure, which Ekwall confirmed. When pressed, Ekwall confirmed that the Swedish government had no plans to publish official regulations or rules codifying this catch-all. Padilla urged the GOS to take a more formal approach, and voiced USG concerns that the EU will implement the WA SOU differently from the United States. Responding to a question from Ekwall, Padilla explained that while he did not expect the new China rule to have a significant impact on U.S. exports to China, U.S. industry was extremely concerned with the compliance and liability burdens of the rule, and the potential loss of market share to European competitors.

19. (SBU) Turning to other issues, Ekwall noted that the Wassenaar Arrangement had been very successful this year, particularly the passage of best practices in Intangible Technology Transfer. He believed that Wassenaar was becoming a more mature organization, noting that delegates are far more prepared now for Plenary sessions than in the past. He is confident that there will be good groundwork for the upcoming assessment year, despite the continuing differences over transparency and denial consultations.

#### Thermal Imaging Cameras

110. (SBU) A/S Padilla turned to the issue of thermal imaging cameras, controls of which are particularly important given their variety and their military and potential terrorist uses. Thermal imaging cameras provide significant advantage in the areas of targeting, surveillance, and force mobility, and DOC issued more licenses for thermal imaging cameras than any other product. However, civilian uses for thermal imaging cameras have grown considerably and are now used for such civil-end-uses as search and rescue and firefighting.

111. (C) The EU was the largest importer of U.S.-origin thermal imaging cameras, accounting for approximately 65 percent of all export applications. Padilla noted some concerns over the export of certain cameras from the EU, citing British-origin sensitive night-vision equipment that had been recovered from Hezbollah

fighters during the war in Lebanon. Not all thermal imaging cameras were equally sensitive, and major exporting countries should coordinate to decide which low-end cameras did not require export controls, and which high-end ones should have stricter controls.

¶12. (C) Padilla proposed a working level dialogue among U.S., French, British, German, and Swedish experts focused on sharing best practices and other information related to the licensing and enforcement of exports of thermal imaging cameras. The dialogue could specifically address licensing conditions, controls on the most sensitive items, concerns related to specific end-users, transshipment concerns, and enforcement actions. Padilla proposed organizing the first meeting in Europe during the first half of 2007, and noted that both the French and German governments had already agreed.

¶13. (C) Ekwall agreed with the proposal, stating that it could be "useful." He did caution that if a handful of EU countries got together to discuss this issue, other countries in the Wassenaar Arrangement could feel excluded. Padilla agreed, but countered that it would still be useful to discuss perspectives outside the Wassenaar arrangement, for example end users of concern. Nonetheless, Padilla agreed that we should be very sensitive to these concerns. Ekwall agreed and Padilla promised to follow up with a formal proposal.

#### United Arab Emirates - Port of Diversion

¶14. (C) Turning to illicit diversion, Padilla briefed the Swedish group on USG concerns about the diversion and proliferation of dual use items transiting the United Arab Emirates (UAE). The UAE lacks an export control system and is a key regional transshipment hub. The USG has found evidence of diversion of goods controlled by the multilateral regimes routinely diverted from Dubai to Syria and Iran.

He cited the case of Mayrow General Trading, which had acquired electronic components and devices capable of being used to construct improvise explosive devices (IEDS) that are being used against coalition forces in Iraq and Afghanistan. The USG has worked with the UAEG since 2001 on capacity building, but the UAEG has not made progress on passing an export control law, despite repeated promises.

It has asserted for more than a year that its draft law is delayed in its legislature. If the UAE makes no progress in the next month or two, the USG may impose more restrictive licensing on the UAE. It would be useful for the GOS to weigh in with the UAEG over the latter's failure to pass an export control law, consistent with

United Nations Security Council Resolutions 1540, 1696, and 1718.

¶15. (C) Ekwall responded that Sweden also had serious concerns about diversion through the UAE and is working with the EU to help UAE improve its export controls. Germany is leading the EU efforts, and in ongoing technical visits and exchanges, the EU has discovered that the UAE has virtually no controls or laws on sensitive items.

¶16. (C) Padilla noted that he had discussed this issue with his German counterparts, who believe that federal authorities in Abu Dhabi understand the importance of having an export control system, but the ruler of Dubai seems strongly opposed. Padilla had suggested that the Germans send a high-level message to the UAE about these concerns. Germany officials in the Ministry of Foreign Affairs said that the State Secretary would be traveling to UAE and would deliver this message. Padilla urged Sweden to also deliver a high-level message in the very near future.

¶17. (C) Ekwall promised to pass along this request to the relevant levels of government, but noted that the EU should continue in its capacity building exchange. While Padilla agreed that this was important, he stressed that the USG has been conducting such exchanges for over three years and has lost patience. The USG now views these requests for technical assistance as an excuse to delay.

#### Sanctions on North Korean Luxury Goods

¶18. (SBU) Turning to North Korea, Padilla noted that on November 13, the USG submitted its report to implementation of UNSCR 1718. This report included the list of luxury items that the USG was banning for export to North Korea. The U.S. list does not include food items or those used by ordinary North Koreans, as President Bush

has made it clear that the US would not use food as a weapon. Contrarily, the U.S. list included items used by Kim Jong-Il and those he used to award elites for their loyalty. For example, motor scooters that many North Koreans used for transportation are not on the U.S. List, while Harley Davidson motor cycles, too expensive for all but the most politically well-connected, are. The USG does not want the UN to debate a common list of luxury goods since such a process would be time-consuming and would provide an excuse to delay UNSCR 1718 implementation on more important provisions concerning the export of armaments, dual use, and other service items to North Korea.

¶19. (SBU) Ekwall agreed, and noted that it was taking the EU quite some time to come up with its own list. Doing so in the UN would also be time consuming and would take away from the more important elements of the resolution.

#### Participants

##### United States Government:

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Government of Sweden:

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Jamal Alassaad, Desk Officer, Americas Department, Ministry of Foreign Affairs

¶24. (U) Assistant Secretary Padilla cleared this cable.

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